



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CAL

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Order Instituting Rulemaking to Create a
Consistent Regulatory Framework for the
Guidance, Planning, and Evaluation of Integrated
Distributed Energy Resources.

Rulemaking 14-10-003
(Filed October 2, 2014)

**REPLY COMMENTS OF THE CONSUMER FEDERATION OF
CALIFORNIA ON THE REVISED ASSIGNED COMMISSIONER
PROPOSAL FOR DISTRIBUTED ENERGY RESOURCE INCENTIVES**

I. INTRODUCTION

Consumer Federation of California (CFC) hereby submits the following reply comments on the Revised Assigned Commissioner Proposal for Distributed Energy Resource Incentives (Proposal) attached to the Amended Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge that was issued on September 1, 2016 (Ruling).

**II. THE PILOT NEEDS MORE SPECIFICITY REGARDING THE INCENTIVE IMPACT
EVALUATION METHODOLOGY**

The Proposal clearly spells out the pilot's goal: "The purpose of this pilot is to test how an earnings opportunity affects IOU DER sourcing behavior."¹

In their opening comments, many stakeholders point out that the pilot, as presently constituted, lacks specificity regarding the exact means of evaluating the impact of the proposed financial incentive on IOUs selecting DERs over traditional solutions. As evaluating that impact is the pilot's primary goal, further development on the impact assessment methodology is a must. CFC recommends that the basic

¹ Rulemaking 14-10-003, *Amended Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge, September 1, 2016*, Attachment: "Revised Assigned Commissioner Proposal for Distributed Energy Resource Incentives," p.9.

assessment method needs to be determined, and agreed on, in advance of launching the pilot. Further refinement of the methodology could (and should) occur during the pilot, however a consensus on the fundamental technique(s) should be arrived at prior to pilot inception.

The Proposal describes that the sixth program process element, the Pilot Evaluation Report (for evaluating whether the solicitation procured DERs), will address five questions about the pilot results. As part of the first question, concerning whether the solicitation was successful in procuring DERs, the Proposal states that “a thorough analysis and explanation must be provided.” The second question addresses the heart of the pilot: did the earnings opportunity affect IOU sourcing of DER to defer or displace distribution infrastructure? Defining the formulaic evaluation of the specific incentive impact is essential for a thorough analysis. Establishing the evaluation formula in advance would eliminate the potential for methodological disagreements later in the process. (If the fundamental analytical method has not been determined in advance, it must certainly be sorted out by the end of “Step One” in the timeline proposed at page 12 of the Joint Utilities commentary—at two months.²)

CFC considers that, to the maximum extent possible, the stakeholders should agree on the fundamental analytical methods to be used in the pilot for both selecting DER projects and for evaluating their performance. Most commenters rendered similar opinions, albeit with different focuses. The Joint Utilities perhaps put it best in one of their section headers: “further detail regarding pilot evaluation criteria is needed.”³

² Alternatively, at the end of 3 months, in TURN’s proposed timeline—as presented in the Comments of The Utility Reform Network (TURN) on the Amended Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge and Attached Assigned Commissioner Proposal, p.6.

³ Joint Comments of Pacific Gas and Electric Company (U 39-E), San Diego Gas & Electric Company (U 902-M), And Southern California Edison Company (U 338-E) On Revised Assigned Commissioner Proposal for Distributed Energy Resource Incentives, p.12.

TURN proposes that “[i]n order to evaluate potential ratepayer benefits, the test must also include all relevant ratepayer costs, including costs embedded in rates that cannot be avoided.”⁴ TURN cites, as examples, the inclusion of all the upgrade costs required to support the accommodation of DERs.⁵ Certainly, the appropriate evaluation method should incorporate all relevant impacts that are both foreseeable and practicable to include.

EDF proposes using the Total Resource Cost (TRC) Test.⁶ TRC has advantages of being well-known, and understood. However, the pilot is meant to advance progress toward the goals of Section 701.1(a): minimizing the cost to society of the reliable energy services. Therefore, as a means of incorporating broader societal cost and benefit factors, CFC recommends using the Societal Cost Test (SCT) method for evaluating the DER impact.

III. TRANSPARENCY VERSUS CONFIDENTIALITY

Understandably, the IOUs advocate a process with certain limitations on the availability of planning forecasts and other related information. In contrast, the market participants favor as open an exchange of information as possible.

CFC considers that consumer interests are best served by a process with as much transparency as possible. Certainly the IOUs position on not disclosing proprietary information is understandable. However, the distinction must be drawn between revealing proprietary *techniques*, versus disclosing the resulting *estimates*. Distribution system project estimates eventually factor into IOU revenue requirements submissions, so those figures become public at some point. Even where a potential wires

⁴ Comments of The Utility Reform Network on the Amended Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge and Attached Assigned Commissioner Proposal, p.1.

⁵ *Id.*, p.6.

⁶ Comments of Environmental Defense Fund on the Amended Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge, p.8.

project does not proceed, the potential damage to the IOU from disclosing select forecast estimates during a pilot seems hardly a prescription for catastrophe. Rather, where some delay or deferral occurs, the public may gain from seeing how the select estimates changed with time.

As SEIA/Vote Solar puts it:

One value of this greater transparency is that it would allow the Commission and other parties to evaluate the traditional “wires” investments put forward by the utilities. Transparency about system needs and investments also provides other parties the ability to collectively identify the full extent of possibilities for DER to cost effectively avoid utility investments.⁷

IV. ALTERNATIVE EARNINGS MECHANISMS

SCE recommends considering two alternative earnings mechanisms for use in the pilot: up-front payment, and contract for distribution services. Both approaches may well have merit, and it may be beneficial to, as SCE proposes, allow each IOU to select the approach it deems most appealing. Nevertheless, the collective comments on the pilot already suggest a level of complexity that will pose an analytical challenge for sorting out incentive impacts. Adding the additional complication of having different earnings mechanisms could simply cloud the picture of the effectiveness of the incentive—unless we can be sure of transitivity of the pilot results between the IOUs; that the results for one utility’s experience can be generalized to the others.

⁷ Comments of the Solar Energy Industries Association and Vote Solar on Revised Assigned Commissioner Proposal for Distributed Energy Resource Incentives, p.6.

V. CONCLUSION

CFC thanks the Commission for consideration of the foregoing Comments.

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Respectfully Submitted,

_____/s/_____,

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